

A Study on Financial Literacy among the Members of Self Help Groups

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Abstract:

Financial Literacy is an issue of critical importance for transparent and sustainable economy. Few studies quote that one of the reasons for financial crisis in developed country like United States during 2010 was the insufficient levels of the financial literacy among the customers. Based on the studies reviewed it is assumed that the developing nations like in India also the low level of financial literacy among the customers may contribute to financial crisis to an extent. Also it is considered that financial literacy is considered as an important aid for promoting financial inclusions and ultimately achieving financial stability in the country. The importance of such issues to India is evident. The Reserve Bank of India (RBI), oldest and most experienced financial supervisory body has taken several measures to promote financial literacy through financial institutions among the customers. This research paper focuses on identifying the initiatives taken by the regulatory authorities for the promotion of financial literacy among customers in India and knowing the financial literacy level among the members of Self Help Groups in Mysore city.

Keyword: Financial Literacy, Self-Help Group, Reserve Bank of India, Security exchange Board of India. Insurance Regulatory and Development Authority.

Introduction

Financial literacy is a set of skills that helps the people to manage their money along with some understanding of essential financial concepts. Financial literacy is not only about markets and investments but also about knowing and understanding savings, household budget, financial planning, knowing various loan products, repayment of loans etc., An individual must be competent enough in understanding and preparation of household budgets, cash flow management, asset allocation to meet the individual financial goals. This will bring the financial discipline among the customer and ultimately serves the purpose of financial stability in the country.

According to RBI, Financial literacy can broadly be defined as “providing familiarity with and understanding of financial market products, especially rewards and risks, in order making informed choices”. **The European Commission** defines financial literacy as “the capability of consumers and small business owners to understand retail financial products with a view to making informed financial decisions”

Financial literacy has gained universal recognition all over the world. India is one of the highly populated countries in the world with close to 1.2 billion population. It is evident that India is a fast growing economy with a national focus on inclusive growth and there is need to develop a vibrant financial system and it is necessary to formulate and implement a national strategy at the earliest. Financial literacy has assumed greater importance in the recent years. Several reforms over the years in the economic and financial sector have placed higher disposable income with the public. The scope of entire market is getting wider. Availability of variety of new financial products on both credit and investment side, which are provided by various financial intermediaries have necessitated that there is need for individual to know, plan and invest their finances carefully. At the same time those who are not part of the formal financial system need to be educated on managing finance. Financial planning is becoming essential for financial wellbeing

of an individual. While the role of financial planning is largely acknowledged through the initiative of financial institutions but the significance of financial literacy is still lagging behind in India especially for women. According to the survey conducted by S&P Global during 2015 reveals that there is a gender gap between men and women in almost every country in case of financial literacy. In India, the gap is wider with 73% of men and 80% of women not being financially literate. Hence the need arises to understand in detail the issue of financial literacy among women in India.

In India, virtually women are the main spender of the family whereas the men are the principal earner of the family. Although women's access to financial services has increased substantially faster in the past 10 years, their ability to exploit this access is often still limited by the disadvantages they experience because of their gender. One of the biggest problem and challenge our nation is facing is low literacy rate. The census 2011 reveals that 65.46% women are literate compare to male which is 82.14 %. Due to lack of basic education the numerical abilities among women are poor which restrict them to analyze the financial information properly caused poor financial planning which ultimately affects their saving and investment decisions. Lack of higher education among women creates challenges in understanding the basic concepts of financial literacy like computation of compound interest, analysis of inflation, risk & return, trade off and portfolio diversification etc. According to Chethana and Raj (2017), the biggest challenge faced by women in India is lack of confidence and knowledge with regard to money management affects their capability to achieve their financial potential. They have the fear to consult financial adviser who can help them in making their financial planning because they may charge more fees or may misuse their money and may cheat them. This will create hurdle in gaining the knowledge **about** the basic money management.

Literature Revive

Garima Baluja (2016) conducted study on financial literacy among women in India explains factors influencing on financial literacy of women in India and financial literacy interventions by government in India. The study was focusing on the secondary data. The article explains that, lack of women centric financial schemes, lack of access to financial services, lack of basic educations, lack of independence are the factors influencing on financial literacy among women in India. To overcome from these obstacles, government of India has taken various initiatives to fill this gap through implementing various schemes such as Pradhan Mantri Jan Dan Yojana, National center for Financial Education etc., through which government wants to strengthen the financial literacy awareness.

Thanvi Sebastian et al., (2016) made a study on financial literacy among professional women in the district of Ernakulum, Kerala. The objectives of the study is to evaluate the level of financial literacy, to understand the popular and the most preferred investment instruments, to examine the literacy among the individuals who believe to have high financial literacy and to find if they are taking any professional help for financial planning and the extend of this help. The study was conducted by adopting survey method by using the survey tool questionnaire. Sample size of the study was 30. The survey findings show that majority of the women professionals are having financial knowledge. But having a basic financial knowledge is not sufficient. They still remain as financially illiterate on the concepts of Money Management and Investment. The analysis showed that urban women do make decisions on their personal investments and money management along with the various financial decisions of the family. Though various investment opportunities are available in the market, a majority of women are not accessing the same. Few of them are aware of these opportunities, but they are not having DEMAT account or trading experience, they are not investing in mutual funds or stocks. During the survey, it was indicated that the most preferred investment vehicle for women is SIP. Since a majority of them are medium risk takers, proper education needs to be provided to them regarding these SIP investments.

Priyanka et.al. (2015) expressed in their study that, Literacy is a key indicator of development. Today people are more aware about the education but only literacy is not adequate. The awareness of financial literacy is now very essential. Financial literacy enable individuals to navigate the financial world make informed investment decision and minimize chances of being misled. Furthermore women should be

knowledgeable since they are taking much household decision. However they are not interested in managing investment decision due to ignorance of investment avenues. The objectives of the study is to analyze the investment decision of savings among respondents also to study the knowledge about the investment avenue and analyze the investment pattern of both the teaching and non-teaching female staff in education sector of Jhansi District. The Major findings reveals that majority of the working women are aware about the investment avenue and invest their saving in bank and post office fixed deposit.

Shobha and Shalini (2015) conducted a survey on the perception of women towards the personal financial planning in the city of Bengaluru. The study revealed that Indian women give priority to family and children's requirements more than her requirements for financial needs and individualistic financial security. Also, difficulty in convincing the spouse and family is a biggest challenge for the women to create their financial plans. The study also found that women still feel that gold, real estates, bank deposits, insurance products and provident funds are the most safe instruments for investing, while they feel that mutual funds, derivatives, chits, stocks and shares as riskier investments. Hence, lack of knowledge on new instruments influence their ability to earn returns for them

Mathivathani and Velumani (2014) made a study on financial literacy among rural women in Tamilnadu. The purpose of this study is to know the level of financial literacy among women in rural areas of Tamilnadu. They also explained that India is in the path of growing global economy in the world. Financial awareness and knowledge is very important to everyone, especially for the women. The participation of the women in economy will contribute to their own wellbeing as well as nation's economic growth. Women are responsible for the household budget, household expenses, and savings for the emergency fund as well as income generation in such situation. Since we are in a raising economy in the world so many financial transformations are happening. On the other hand many financial malpractices and fraudulent activities are happening in our society especially in rural areas because the problem is lack of financial literacy and financial information among the people. Hence the financial literacy is a vital part to engage the women in financial inclusion prevent them from financial malpractices and include them in a present economic growth.

Guptha et al., (2014) made a study on financial literacy among micro Entrepreneurs in district Kangra. The aim of the study is to assess the level of awareness of financial literacy among the micro entrepreneurs of district Kangra of Himachal Pradesh. A survey methodology was used to accomplish the objectives of the study. Structured questionnaire will be designed as an instrument to evaluate the level of financial literacy. Collected data were tabulated using Microsoft Excel. Descriptive and inferential analysis was used to examine the extent of awareness regarding financial education among micro entrepreneurs. The analysis revealed that micro entrepreneurs in district Kangra possess low financial skills. Their study also revealed that there is deficient record keeping practices, poor cash management, improper saving habits and less awareness regarding different financial products and instruments. They study concluded with the remarks that to some extent micro entrepreneurs are lagging behind in the adoption of formal financial practices. The financial literacy programmes organized by the authorities should be directed to approach each sector of the society.

Taft Marzieh Kalantarie, et.al (2013) made a study to know the relations between financial literacy, financial wellbeing and financial concerns. The findings of the study explain that that age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. It was also found that higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern.

Bonte and Filipiak (2012) conducted a large scale survey to investigate the relevance of social interaction and caste affiliation on saving patterns of India. Taking into consideration individual awareness regarding financial instruments the study posed positive association between financial literacy and social interaction. There was lower probability of awareness about financial concerns in backward caste people. In contrast, the study found a weak empirical evidence for the effect of social interaction and caste affiliation on investment behaviors of households

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that financial knowledge among Indians is very low than the International standards. But the financial behavior and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behavior of young employees.

Scope of the study

The scope of the study is restricted to Mysore district of Karnataka state only. Women who are the members of the self-help group was considered for the study purpose. About 70 samples were considered for the study. The study would help to suggest ways to improve financial literacy of women also to have better understanding of financial concept and financial decision making among the sample considered.

Objectives of the study

The objectives of the study are:

- To study the initiatives taken by regulatory authorities in India, (RBI, IRDA and SEBI) to provide financial literacy in India.
- To know the level of financial literacy among the members of the self-help groups.

Methodology:

The type of research adopted is descriptive in nature. The present study consists of both the primary sources and secondary sources of data. The primary data was collected by using a standard tool, questionnaire to study the financial literacy among the members of self- help groups. The secondary source of data includes reports of RBI, various studies carried out by researchers and reference books.

Population and Sampling

The population of the study consists of members of self-help groups in Mysore. Samples were selected from four self-help groups where as each group had 20 members. Out of which 70 respondents have participated.

Initiative taken by RBI, SEBI and IRDA to provide financial literacy in India:

In India, the Reserve Bank of India launched an initiative in 2001 to establish Financial Literacy and Credit Counseling Centers throughout the country to offer free financial education and counseling to both urban and rural populations. A few banks have taken initiatives to start some centers in rural or semi urban areas, which offer financial education and credit counseling services. The objective of these centers is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counseling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress, etc. Some of these Credit Counseling Centers (also known as Knowledge Centers) even train farmers/ women groups to enable them to start their own income generating activities to earn a reasonable livelihood.

Hyderabad office of the Reserve Bank has formulated a **multi-modal** (informative display through posters, brochures, multi-media presentations, video films, demonstrations, computer games), **multi-lingual** (English, Hindi, Telugu and Urdu) **and customized interactive strategies** (like stalls in exhibitions, visits to schools, colleges, villages) meeting with bankers, traders, farmers, SHGs, for spreading financial literacy among the common persons in general and school children, college students, farmers, women and villagers in particular.

Chennai Office of the Reserve Bank has brought out two comic books titled '**Currency Matters**' and '**Bank Matters**' in English and Hindi as part of the Bank's financial education efforts. The stories for the comic books were prepared in-house by a team of officers, drawn from various departments of the local office and the artwork was out sourced. Copies of the comic books were handed over to the officials of Government of Himachal Pradesh during the inauguration of the Shimla sub-office on July 1, 2007. The books are being translated into Tamil.

New Delhi Office of the Reserve Bank brought out a comic book on basic banking, titled 'Raju and the Money Tree'. A Core Committee on Financial Education, comprising of officers from RBI, New Delhi conceived and scripted the story of the comic book as also handled the artwork. The comic book was brought out in English and Hindi. Copies of the comic book were handed over to the officials of Government of Himachal Pradesh at Shimla on July 1, 2007 coinciding with the inauguration of the sub-office. The comic book was also brought out in Braille for the benefit of visually impaired persons. The services of National Association for the Blind, New Delhi were taken for adapting the story from the comic book.

Bangalore Office of the Reserve Bank has released, under its FIN-LIT project, a series of four comic books, in English and Kannada, dealing with (i) introduction to basic banking, (ii) deposits, (iii) SHGs loans especially agricultural loans and other livelihood loans like Govt. sponsored schemes, etc. and (iv) other lifestyle enhancing loans like housing loans, vehicle loans, etc. and other products like ATM cards debit, credit cards. A short film, based on the frames of the books, with voice over in Kannada has also been released. As an initiative in reaching out to a larger audience, the Office had put up a stall in the Mysore Dasara Exhibition where this film was screened along with other information of relevance to the common man. The whole project of writing the stories and doing the illustrations was undertaken in house.

Reserve Bank of India has mandated that banks should take the initiative to enhance financial inclusion and financial literacy in the country. In July 2012, a draft national strategy for financial education was prepared and released by RBI. The strategy includes observations on not only the role of the banks but also the need for financial education in schools. Commercial banks have initiated various measures for creating awareness about products through Counseling, Centers and Rural Self Employment Training Institutes on financial literacy. The objective of these centers is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counseling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress etc.

SEBI's Initiatives on Financial Education: Security Exchange Board of India has contributed for financial literacy development among Indians through various initiatives such as,

1. It has established Sanchayan an investor association to conduct Financial Literacy Programs. The main aim of this association is to conduct programs at pan India level to promote financial education through multiple programs, campaigns, activities etc to provide knowledge o school students, college students, employed executives, SHGs, retired people, working professionals etc.,
2. SEBI has created panel of resource persons to provide training on various aspects of finance such as knowledge of financial markets, modus operandi, risks associated, right issues etc. These SEBI Certified Resource Persons organize timely workshops to target intended audience and teach them nuances of savings, investment, financial planning, banking, insurance, retirement planning etc.
3. All the programmed are implemented at three levels i.e national level, state level and local level
4. SEBI conducts regional seminars through various stakeholders like Stock Exchanges, Depositories, Mutual Funds Association, and Association of Merchant Bankers etc.

5. SEBI has a designed dedicated website for investor education with repositories of educational material for all its stakeholders. SEBI has also launched investor awareness programs through short films, audio jingles and commercials on TV and radios in multiple languages.
6. SEBI has launched “Visit SEBI” programme which encourages the school and college students to visit SEBI and examine its functioning, assess its various activities.
7. SEBI has launched SEBI mobile Helpline number wherein through a toll free number, investors across the country can access and seek information in 14 languages.

Insurance Regulatory and Development Authority (IRDA) Initiatives on Financial Education: IRDA making serious efforts to enhance the levels of financial literacy in India. Some of the initiatives are as follows

1. Awareness is created through means of communication like television, radio etc., on financial management, rights and duties of policy holders etc.,
2. Helplines are available for customer grievance redressal through various media platforms in more than 11 languages.
3. Annual seminars are conducted by IRDA for policy holder protection and welfare.
4. IRDA also sponsors various seminars on providing education on investment management, strategic investment, investment on new instruments available in market etc.,
5. A pan India survey was conducted by IRDA to check awareness levels about insurance through the National Council of Applied Economic Research (NCAER) as a motto to work on strategies to improve and crating insurance awareness.
6. IRDA has come up with many fictional characters depicting real life investors featured in comic books and magazines. IRDA has also brought out many publications of “policyholder handbooks” which are proving tremendously fruitful to the investor communities.
7. The Pension Fund Regulatory and Development Authority, has been actively involved in spreading the message of social security to the masses

Data Analysis and Findings

The present study is focused on knowing the level of financial literacy among the self-help group members in Mysore district. The primary data collected through structured questionnaire. Sample size was restricted to 70 only. Collected data were analyzed by adopting simple percentage analysis. Following are the findings of the analysis.

About 49% of the respondents gain the knowledge of financial aspects through newspapers. Other sources of financial information are gathered from friends and relatives. To know about the respondents interest in financial literacy, About 66 percent of the respondents are interested in knowing about the household budgeting, 46 percent of the respondents are interested in easy means of availing loans, 36 percent of the respondents are interested in good interest rate returns. 23 percent of the respondents are interested in knowing the profitable investing options.

Majority of the respondents are having awareness on traditional banking products like savings bank account, fixed account. But there were very few who knows about the investment avenues like National saving certificate, government securities mutual funds etc., more than 80 per cent of the respondents are aware of investments in gold, silver, real estate. The survey result shows that majority of the self-help group members are low risk investors, they are not ready to take high risk in their investment.

Survey result on savings behavior of the respondent shows that, Respondents have given first rank for safety of future as a they consider while channelizing the savings, 2nd rank was given to health care needs, 3rd rank was given to future financial needs, 4th rank stands for cost of living expenses, 5th rank was given for needs of dependents, 6th rank is given for financial obligation, 7th rank for prefer to meet

outstanding debts, 8th rank is to meet contingency, 9th rank as given to meet the future inflation and 10th rank stands for others.

About 70 percent of the respondents are using ATM facility for the cash withdrawal and 30 percent of the respondents don't know to use ATM for the purpose of cash withdrawal.

About 44 percent of the respondents prefer cheque as a mode of transaction. About 33 percent of the respondents prefers ATM mode of transaction. Only 23 percent of the respondents prefer online mode of transaction.

About 61 percent of the respondents are having a PAN card. Were 39 percent of the respondents are not having the pan card. 93 percent of the respondents have knowledge about Yashaswini health scheme. About 23 percent of the respondents are known about Jan Arogya Bima Policy. Were 17 percent of the respondents known about Pradhan Mantri Mudra Yojana. Only 6 percent of the respondents are knew about Raja Rajeshwari Mahila Kalyana Bima Yojana. 10 percent of the respondents were knew about Vimoseva. Few of the respondents are known about Sukanya Samridhhi Yojana.

Limitation of the Study

- The study was limited only to Mysore district.
- Only Four self-help groups were considered for collecting data.
- Due to time constraint the numbers of respondents considered for the study is 70 only.

Suggestions

1. From the above analysis it evident that majority of the self-help group members are aware of only traditional financial products and investment avenues. There is lack in knowledge of modern financial products and new investment avenues. The financial institutions must rigorously thank of providing training in these aspects particularly.
2. There is less awareness about various state government and Central Government schemes among self-help group members. NGOs, Governments must take up necessary awareness programs of each and every schemes to reach out the benefits of the schemes to everyone.

Conclusion

Financial literacy Education is very important now days for any individuals, to take decisions on personal financial planning, investments and to manage their business finances. From the above study it is revealed that self-help group members need training of all the above said aspects to take up any entrepreneurial activity to become economically independent. Policy makers and regulatory bodies must seriously take necessary decisions and actions to promote financial decisions on special group like self-help group members.

Scope for Future Research

Further, the study may be extended to know the level of financial literacy among special groups like school children, middle age groups, retired professionals, rural banking customers, individuals managing small and medium enterprises etc.,

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